



IPAMS

Independent
Petroleum
Association
of
Mountain
States

From the desk of
Carla Wilson
Director of Tax and Royalty

518 17th Street, Suite 620 Denver, CO 80202
303/623-0987 fax: 303/893-0709
e-mail: cwilson@ipams.org

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COMMENTS:

Original to follow by mail.

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Mr. David S. Guzy, Chief
Rules and Publications Staff
Royalty Management Program
Minerals Management Service
P. O. Box 25165, MS 3021
Denver, CO 80225-0165

RE: Establishing Oil Value for Royalty Due on Federal Leases
Supplementary Proposed Rule
63 F.R. 6113, February 6, 1998

Dear Mr. Guzy:

On behalf of the Independent Petroleum Association of Mountain States (IPAMS) I submit comments on the above-referenced supplementary proposed rule. First, I would like to express our appreciation for the extension of the comment period. It was extremely helpful to me and to IPAMS' members to have the extra fifteen days in which to prepare our comments on this critical rulemaking.

General Comments

As you know, IPAMS has been actively involved in the crude oil valuation rulemaking from the outset. We submitted substantive comments on the Advance Notice of Proposed Rulemaking in 1995, and at each stage of the process since that time, including participation in the public workshops.

Unfortunately, despite our involvement in the process, IPAMS continues to have serious concerns with MMS's proposal. We were pleased to see MMS drop its earlier proposed limits on gross proceeds valuation, i.e., the restrictions on competitive crude oil calls, purchases, and arm's-length exchanges. However, IPAMS members who are small, independent producers selling arm's-length at the lease are still in jeopardy that, years from now, auditors will determine they should have valued their production based on a NYMEX or other index price because their gross proceeds

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transactions were viewed to have violated MMS's new, expanded duty to market language.

IPAMS is also concerned with MMS's proposed three-way approach to crude oil valuation. We believe that under this latest proposal, large independents and major oil companies with production in several areas would be required to establish as many as three separate systems to account for federal oil royalties alone. This will significantly increase the administrative burden and the costs associated with royalty compliance. Further, the proposed rule is unduly complex and manages, in one way or another, to discriminate against virtually every producer on federal lands.

MMS first attempted to narrow the definition of an arm's-length sale, and now it wants to redefine "affiliate", thereby greatly escalating the affiliate class and throwing many producers into NYMEX based valuation. MMS has not explained why a benchmarking system, similar to the one proposed for the Rocky Mountain Region, cannot be implemented for the entire United States. And, IPAMS is deeply disappointed that MMS continues to disregard comparable sales as a benchmark – certainly one that should be applied before any index price, assuming MMS has any intention of acknowledging the statutory and lease requirements that value be established at or near the lease.

IPAMS finds it incredulous that, given the voluminous amounts of testimony, comment and discussion about the inapplicability of NYMEX to the Rocky Mountain Area, MMS would propose NYMEX as a benchmark for the Rocky Mountain Area at all! It simply makes no sense. The fact that no acceptable published spot price exists in the Rocky Mountain Area is hardly justification for imposing the NYMEX price!

Frankly, we feel our comments in these areas have been ignored. MMS has failed to address our comments in the preamble to the supplementary proposed rule. Therefore, we are at a loss to explain to our members why MMS believes gross proceeds, nationwide benchmarks and comparable sales are not acceptable.

With regard to more specific comments on this supplementary proposed rule, we offer the following:

Section 206.101 – Definitions

Affiliate – MMS's new definition of affiliate represents a substantial change from the historical concept of control contained in the existing definition of an arm's-length contract. The current regulations provide that two persons are affiliated if control exists between them or through common control. Ownership in excess of 50 percent constitutes control; ownership of 10 to 50 percent creates a presumption of control; and ownership of less than 10 percent creates a presumption of non-control, which MMS may rebut if it is able to demonstrate actual

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or legal control. The new regulations mandate an incontrovertible presumption of control whenever common ownership exists to the extent of 10 percent or more. This represents an enormous expansion of the affiliate class, and IPAMS strongly objects to the change.

In 1988, the issue of a non-arm's length contract was thoroughly reviewed and evaluated by MMS before it adopted the current regulations. During the rulemaking process, the states and Indian tribes sought to lower the control threshold to ten percent (10%). However, this notion was rejected in the 1988 regulations, and the supplementary proposed rule offers no justification for revising the definition.

To treat lessees and their affiliates as one entity for royalty purposes discriminates against companies that create affiliates to participate in the marketing of crude oil by imposing a higher royalty value on an affiliated producer than an unaffiliated producer, even if they are selling the same oil.

Furthermore, the revised definition of affiliate, coupled with the requirements for valuing exchanges through a series of arm's-length or non-arm's length transactions – until MMS's "preferred" royalty value can be established – imposes a huge, costly burden on producers by requiring them to trace, report and pay royalties based on their affiliate's resale prices.

The effect of the proposed definition of affiliate will be to disregard any transaction between affiliated companies in an oil producing enterprise and ignore legal precedent that should apply in evaluating any transaction among affiliates. The proposed definition also ignores precedent within the Department of the Interior that establishes criteria for evaluating sales among affiliates. In the case of *Getty Oil Co.*, 51 IBLA 47 (1980), the Interior Board of Land Appeals held that inter-affiliate sales are acceptable for royalty purposes as long as they are comparable to other sales in the same field or area. The 1988 royalty valuation regulations contain provisions governing evaluation of affiliate sales; they also create the benchmark regulations which establish tests to be followed in determining the fairness of those transactions. The 1988 regulations are consistent with and ratify the principles established in *Getty*.

The *Getty* case also establishes guidelines which MMS must follow before non-arm's-length sale can be rejected. MMS must establish that the sale was a sham transaction and was intended to promote fraud and injustice. The IBLA cited no less an authority than one of the most famous decisions in the annals of American jurisprudence. United States vs. Weissmann, 219 F2d 837 (2d Cir. 1955)(Iland, J.).

In *Getty*, the IBLA found a legitimate business purpose existed for the creation of Getty's subsidiary, Getty Oil Company, Eastern Operations, Inc. ("EO"). EO purchased gas from Getty Oil, its parent, and paid for the gas according to prices received by Getty from the

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sale of other gas in arm's-length transactions with an unaffiliated third party, Transcontinental Gas Pipe Line Corporation.

The IBLA held that a parent and its subsidiary may enter into a valid contract. *Id.*, at 50. MMS failed to demonstrate that the transactions between affiliates were used to "defeat public convenience, justify wrong, protect fraud, or defend crime". *Id.* 50 (citing Norton vs. Integral Corp., 584 SW 2d 932, 935 (1979)).

In addition, the IBLA found that the Getty/EO contract was binding and enforceable and was not subject to rescission by Getty at its whim, as suggested by the Department of the Interior. The IBLA stated further that:

Although contracts between a parent corporation and its subsidiary may not be at arm's-length, they may result in a fair price. *Getty Oil, Id.*, at 51 IBLA 47,51.

The proposed definition of affiliate will single out and discriminate against companies who create affiliates for the purpose of being more competitive in marketing of crude oil. By attempting to capture affiliates' resale prices, the proposed regulation will result in a higher value per barrel of oil for royalty purposes than the value which would be the basis for royalty valuation in an arm's-length transaction. Such discrimination against lessees who market crude oil production to specialized affiliates who are in the business of competing in the crude oil business has been held to be unlawful. *Shell Western E & P Inc.*, 112 IBLA 394 (1990). In essence, the new definition would seek to impose royalties on non-royalty bearing transactions. *Petro-Lewis Corp.*, 108 IBLA 20, 39 (1989).

IPAMS urges MMS to remove the definition of affiliate from the final rule and to retain the existing definition of arm's-length contract.

Competitive crude oil call and Non-competitive crude oil call – At best, the proposed definitions are vague. At worst, the definition of a non-competitive crude oil call poses a significant problem for small producers in the Rocky Mountain Area and elsewhere. If production is subject to a non-competitive crude oil call, producers will be required to base value on a NYMEX price. In the case of non-competitive calls, producers take *arm's-length* assignments from major oil companies which retain a right to take production at posted prices. We question why non-competitive crude oil calls would be treated differently from long-term sales contracts relying on posted prices. Moreover, the requirement for a producer to switch between gross proceeds and NYMEX valuation on a month-to-month basis, depending on when the assignor wants to take production, will impose a significant accounting burden on small producers with which they may not be well equipped to deal.

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IPAMS believes MMS should grandfather all assignments containing non-competitive crude oil calls entered into before the date of this rule; and for future assignments, MMS must provide an opportunity for producers to demonstrate that prices received under a non-competitive crude oil call are at fair market value.

Gathering – IPAMS urges MMS to remove the definition of gathering from the final rule. The proposed definition sounds more like a definition of gas gathering. In general, crude oil production is in marketable condition before it leaves the lease; therefore, any movement of the crude is transportation and this definition is not needed.

Gross proceeds – IPAMS believes this definition [subparagraph (5)] may apply to volumetric production payments or payments or loans made to develop a property. However, MMS should clarify in the final rule that contract settlement buydown payments are not royalty bearing.

Rocky Mountain Area – IPAMS is concerned with the term “Rocky Mountain Area”. Since “area” is a term defined elsewhere in these regulations, IPAMS recommends MMS change the reference to “Rocky Mountain Region”. This is well-established terminology, and we believe using the term “region” will eliminate any confusion with the term “area”. (However, for purposes of our comments on this rulemaking, we have referred to the region as the Rocky Mountain Area for consistency.) In addition, IPAMS believes that if the State of Utah is included in the Rocky Mountain Area, then the northwest corner of the State of New Mexico must also be included, since that production goes to the same market as Utah production.

Section 206.102(d)(3)

This paragraph states in part that:

“...If the seller makes timely application for a price increase or benefit allowed under the contract but the purchaser refuses, and the seller takes reasonable documented measures to force purchaser compliance, you will owe no additional royalties unless or until the seller receives monies or consideration resulting from the price increase or additional benefits. This paragraph will not permit you to avoid your royalty payment obligation where a purchaser fails to pay, pays only in part or pays late...” (emphasis added).

The underlined sentence is inconsistent with the previous sentence. Since no royalty obligation arises for the price increase unless or until the purchaser pays the same, the underlined sentence makes no sense as written. IPAMS recommends it be deleted from the final regulations.

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Section 206.103(b)

IPAMS is encouraged that MMS is looking at some type of benchmarking system in the Rocky Mountain Area, and reiterates our earlier comment that if a benchmarking system works in the Rocky Mountain Area, the same benchmarking system would work nationwide. The State of Wyoming has indicated its support for a benchmarking system, including comparable sales in the same field or area. Even though several other states voiced their opposition to a comparable sales benchmark, it should be noted that federal production in the State of Wyoming far exceeds federal production in any of the other onshore states. Therefore, we believe their comments should be "volume weighted", and comparable sales be given greater consideration.

MMS has provided no explanation for why it does not believe a nationwide benchmarking system will work, nor why a benchmark based on comparable sales will not work. Moreover, the restrictions placed on the benchmarks are contrary to MMS's reasons for establishing benchmarks in the Rocky Mountain Area in the first place. IPAMS believes a second look at a viable nationwide benchmark system – including comparable sales – is warranted.

With respect to the tendering benchmark, as stated in our earlier comments, IPAMS believes that the percentage of production to be tendered should not exceed the royalty percentage. Particularly in the Rocky Mountain Area, meeting the requirement to tender one third of a producer's federal and non-federal production will be difficult. Here again, the State of Wyoming has stated it believes that 15 to 20 percent is much more realistic and reasonable.

Further, we do not believe that a producer will always be able to receive three competitive bids in certain areas of the Rockies, particularly with the limitation that bidders may not have their own tendering programs in the same area. Even MMS has acknowledged that the Rocky Mountain Area is an area with limited competition. There are simply not that many purchasers in the Rocky Mountain Area. Often, only one bid is received – and we would emphasize here that that bid constitutes fair market value for that producer's oil on that particular date. It is incongruous that MMS would restrict a lessee's refining affiliate from bidding on oil tendered by other producers if the lessee tenders, and at the same time prohibit the refining affiliate from purchasing one-third of its affiliated lessee's production. The proposal also implies that tendering will be made available only on a "first-come-first-served" basis. We do not believe this assures certainty or fairness.

The second benchmark will also be difficult to meet. It is excessive to require that more than 50 percent of a producer's or its affiliates' sales and purchases be at arm's-length. IPAMS believes a sufficient percentage of arm's-length sales and purchases for establishing the value of oil in a particular area would not exceed to 20 to 25 percent. Furthermore, it may

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be difficult to timely ascertain what price your affiliate received for its arm's-length contracts. If, indeed, some of the so-called "affiliated" companies are willing to part with that information. In addition, tracing oil sold by an affiliate under an arm's-length contract will be extremely difficult, if not impossible. Affiliated companies typically do not have the systems in place to trace a barrel of oil to its ultimate sales point, particularly if it is blended or commingled with other barrels. Moreover, the requirement to trace adds yet another element of uncertainty to the royalty valuation process under these proposed regulations, and provides yet another opportunity for MMS and its auditors to second guess the producer's marketing decisions years later on audit.

Pursuant to the supplementary proposed rule, if a Rocky Mountain Area producer cannot meet the first two benchmarks, he must use a NYMEX price. Contrariwise, MMS has stated it believes that NYMEX prices are unsuitable for valuing Rocky Mountain Area production; yet MMS has created a system which will make it extremely difficult for producers in the Rocky Mountain Area – especially if they fall into an exception to the gross proceeds rule or refine their oil – to use the benchmarks. There are other, more reasonable, more appropriate benchmarks. IPAMS is convinced that a single, national value cannot be fairly applied to a regional market. As we have discussed at great length in our earlier comments on oil valuation, NYMEX simply will not work in the Rocky Mountain Region.

Section 206.103(c)

We are also amazed MMS would propose netting back from a spot market to value oil produced in areas other than California, Alaska or the Rocky Mountain Area. Historically, MMS – and the courts – have concluded that netting back is the least desirable valuation method. Therefore, it is unclear from where MMS has appropriated its conviction that "spot prices are the best indicator of value for production". IPAMS believes spot prices indicate only the value of oil sold in spot transactions at the market center and are therefore not reliable indicators of value at the lease. Moreover, any netback scheme will require complicated adjustments for quality and location based on differentials MMS calculates from data that is already a year old.

IPAMS asserts that the best value for crude oil is that value established through arm's-length transactions occurring at or near the lease. When MMS attempts to move the point of valuation further and further away from the lease, the less reliable it is as an indicator of the wellhead value of production. However, MMS continues to reject the use of lease market information to value non-arm's length transactions without any justification. MMS has inconceivably failed to provide any rationale for rejecting the many proposals put forth by industry and the states that would better arrive at a more appropriate value at or near the lease.

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Section 206.106

The publication of this latest proposal has only increased IPAMS' unease with the language requiring a producer to market production for the mutual benefit of the lessee and lessor *at no cost to the Federal government*. Besides MMS's continuing quest to move the point of valuation downstream, further and further away from the lease, MMS has clearly indicated its unwillingness to share in the costs of arriving at higher downstream prices. Even MMS Director Cynthia Quarterman's testimony at the March 19 hearing before the House Resources Subcommittee on Energy and Mineral Resources concerning royalty in-kind legislation provides no assurance that a lessee's duty to market "does not mean that [MMS or its auditors] will second guess a lessee's decision not to market at downstream locations". In fact, the way the rule is proposed creates a number of rather insidious methods by which MMS and its auditors can and probably would second guess a producer's decisions.

The rule expressly states in Section 206.102(c)(2)(ii) that a producer may not use its gross proceeds in an arm's-length sale if MMS finds a "breach of your duty to market the oil for the mutual benefit of yourself and the lessor". This is particularly egregious where producers may be operating stripper or marginal wells, as is case for many of IPAMS' members. MMS has made it clear that it believes aggregation of oil to be part of a producer's duty to market. It is all too possible that these producers' arm's-length transactions will be excluded from gross proceeds valuation because they breached an implied duty to aggregate marginal volumes into larger, more attractive, potentially higher priced packages.

Recent IBLA case law supports our suspicion. In *Taylor Energy Co.*, 143 IBLA 80 (1998), the IBLA ruled that the company's gross proceeds could not be used as the royalty value without breaching the duty to market production "at the *highest price obtainable* for the mutual benefit of lessee and lessor (emphasis added). This occurred even though Taylor had been able to negotiate a higher price for its production than it would have received at the lease because it knew the purchaser would be aggregating volumes. Unfortunately, Taylor was only able to negotiate a price that was 97 percent of the higher value the purchaser was able to obtain by aggregating. Yet MMS demanded Taylor pay royalty on the price the purchaser was able to receive. However, we would remind MMS that its mandate is not to collect royalties on the highest possible price from anywhere (including Wall Street), but to collect royalties on the value of production at or near the lease. MMS's proposal flies straight in the face of any principle of fairness.

Compounding the problem with the duty to market language is MMS's non-binding valuation guidance and allowance approval, as discussed below.

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Section 206.107

In this section, MMS states that a producer may either ask the bureau for valuation guidance or propose an alternative valuation method. The rules require a producer to submit all available data related to a proposal and any additional information MMS deems necessary. However, MMS will provide the producer only with a non-binding guidance determination.

The 1988 regulations, at § 206.102(g), establish a valuation determination procedure by which a lessee may request guidance from MMS. The lessee is permitted to propose a valuation methodology and use that methodology until a formal determination is issued by MMS. The regulation requires MMS to expeditiously determine value based upon the lessee's proposal and any additional information deemed necessary. These determinations have proven to be helpful to lessees when complicated marketing situations dictate a need for guidance from MMS. In the past, all such valuation determinations have been binding upon the MMS, but subject to audit. By being subject to audit, if additional information that was not considered by MMS is disclosed during an audit, the valuation determination is no longer binding upon the MMS.

IPAMS believes that because of the highly complicated nature of these proposed regulations, a binding valuation determination procedure is all the more imperative. The proposed regulations are not simple, and IPAMS believes that these regulations will prompt more valuation determination requests from industry than the existing regulations.

It is extremely disconcerting to IPAMS members that a producer cannot ask for and receive binding valuation guidance – subject to audit as discussed above – from the bureau that (a) establishes the valuation regulations, and (b) has the authority to determine whether proper value has been reported and paid. This would be ludicrous if it were not so serious.

Surely the Minerals Management Service is able to provide reliable valuation guidance that will withstand audit scrutiny. MMS must establish a protocol for providing binding valuation guidance, i.e., written guidance provided to the producer, with copies to the affected state and applicable auditors. Once valuation guidance is approved by MMS management (and it should be), there is simply no reason why it should not be binding on the bureau unless discovery is made upon audit of additional information which was not available to MMS in making its original valuation guidance determination. MMS has stated that its primary goal in valuation rulemaking is to bring certainty and simplicity to the process. It is extremely unfair for MMS to establish regulations with so many "loopholes" that enable the bureau to reinterpret the regulations years after royalty payments are made. This adds nothing but uncertainty and complication to the process – clearly not MMS's goal. IPAMS has long been an advocate of written valuation guidance, and can think of no reasonable explanation why written, binding valuation guidance should not be provided to producers.

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Further, the rules imply that no approval by MMS is binding. If not, then why is MMS's approval required beforehand? It is a huge waste of time and money, that adds no certainty to a producer's royalty valuation, to go through the approval process. Where is there any certainty whatsoever in these regulations if MMS can alter the rules at a later date and determine that another valuation method or another transportation allowance should have been used, or that its valuation guidance is no longer valid (absent the discovery of new information that MMS was not aware of when it provided valuation guidance)?

This is an issue of grave concern to IPAMS and one that must be rectified in the final rule.

Section 206.109(a)

The last sentence of this section provides that, for onshore leases, a producer may not take a transportation allowance for transporting oil taken as RIK. IPAMS believes this is premature, in view of the fact that MMS has not finalized the parameters of its RIK pilot programs, nor has RIK legislation been enacted. It is not yet a certainty that producers will be required to bear the cost of transporting oil taken as RIK. Neither has MMS justified the provision. Therefore, IPAMS recommends the sentence be deleted.

Section 206.109(c)(2)

Here again, MMS states a producer may ask MMS to approve a transportation allowance in excess of the 50 percent of value limitation. And, again, MMS is willing to approve such allowance, but MMS's determination will be non-binding. Again, what is the point of going through the exercise of providing MMS with "all relevant and supporting documentation necessary for MMS to make a determination" if the determination is non-binding on the bureau?

Section 206.110(a)(2)(ii)

This section provides if MMS determines that consideration paid under an arm's-length transportation contract does not reflect the "reasonable value" of the transportation due to breach of a producer's duty to market, then the producer must calculate the transportation allowance as if he had a non-arm's length transportation arrangement. This implies that a producer could conceivably breach his duty to market by not obtaining what MMS believes to be the proper price, as well as by entering into a transportation contract where – in MMS's opinion – the cost is too high. This is completely arbitrary and subjective. Moreover, it further exacerbates our concern with the proposed "duty to market" language. There are valid factors which impact the price a producer has to pay to transport his oil from the lease. It is not MMS's prerogative to second-guess the producer and make a determination that the producer

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paid too much for transportation. IPAMS can assure MMS that the producer is negotiating to obtain the highest prices he can for his oil, and the lowest possible transportation costs. MMS always seems to forget that the producer's share is 7/8 of the production, and he stands to lose far more than MMS if he does not negotiate the best deal he possibly can.

Section 206.118

This section requires ALL federal lessees or their affiliates to submit Form MMS-4415 within two months of the effective date of the reporting requirements of the rule and then by October 31 of the effective year of the rule and by October 31 each year thereafter. Since MMS has acknowledged there is no established market center in the Rocky Mountain Area, how are Rocky Mountain producers supposed to fulfill this obligation? Because of the way the market is structured in the Rocky Mountain Area, differentials relative to other markets located outside the Rocky Mountain Area is information producers do not normally have in their possession, nor is it readily accessible. The complex determination of those differentials lends no certainty to the royalty valuation process. Moreover, MMS has no authority to require producers on federal lands to submit information with respect to non-federal leases.

Executive Order 12988 and Paperwork Reduction Act

Contrary to MMS's assertions, IPAMS believes the rule as proposed will have a tremendous economic impact. Record maintenance requirements, reporting requirements, and audit compliance costs will clearly increase under the proposal. In fact, we believe the rule discriminates against all producers because the reporting requirements are so onerous. The royalty calculation process could very possibly require small producers to incur the cost of consultants or additional personnel. Among the reporting problems:

- The rule requires valuation calculation under at least three separate methodologies, imposing a costly burden on producers to revise or purchase systems that can determine whether a transaction is arm's-length or non-arm's-length; track exchanges; determine whether production is disposed of under a crude oil call and whether the call is competitive or noncompetitive; and trace production to the affiliate's first arm's-length sale.
- Producers must go through the exercise of having MMS approve a tendering program, an excessive transportation allowance, or an alternative valuation method – subject to later modification if an implied duty to market under the regulations is perceived.
- Netting back from a spot market will be time-consuming, costly, and will still fail to provide a reliable value for crude oil.

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- Form 4415 reporting will be difficult because producers do not have the information needed to complete the form.
- Audit compliance will be complicated by the requirements to maintain extensive documentation related to the calculation of royalty value, resulting in higher costs for both industry and MMS.

Section 206.121

We are curious why there is no deduction permitted for oil transportation resulting from payments for actual or theoretical losses in non-arm's length situations.

Section 206.103

In the fourth line of this section, we believe the word "and" should be "at".

Conclusion

Contrary to MMS's assertions, the supplementary proposed rule fails to provide any certainty whatsoever to the royalty valuation process. It increases, rather than decreases, the administrative burden and costs of compliance. It will likely lead to increased, rather than decreased, litigation. And, it fails to arrive at the value of production at or near the lease, as required by lease terms and statute.

IPAMS believes the rule as proposed will exponentially increase a small independent producer's costs to the point it will no longer be feasible to maintain federal production, leading to the waste of valuable resources and loss of revenues to the federal government and the states. Small independent producers are in the business of growing their companies. They may want to establish marketing or even refining affiliates at some point in the future so they can benefit from the gains to be made by participating in the midstream market. However, the onerous documentation and reporting requirements, when combined with the plague of uncertainty inherent in the proposal, will also undoubtedly serve to discourage small independent producers from participating on federal lands.

In short, IPAMS cannot support the supplementary proposed rule. We believe it is unduly discriminatory to all segments of the industry. Most importantly, we believe it contains too many opportunities for MMS and its auditors to determine years after the fact that a producer somehow breached an implied duty to market in any one of a number of ways and require that producer to pay royalties on a higher price than what he received for his crude oil. The duty to market language is of highest concern to IPAMS. Analysis of MMS's more recent royalty valuation proposals leads one to believe that the bureau is exploiting the duty to market

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as a catchall by which it can determine at any time within the statutory limits that a producer owes additional royalty, including penalties and interest, because of an arbitrary and subjective determination that the producer did not obtain the highest possible price, regardless of where that price is obtained and regardless of whether that price bears any relation to the producer's crude oil.

IPAMS appreciates the opportunity to provide you with our comments and would be willing to discuss these or our earlier comments with you at any time. Please do not hesitate to call me if you have any questions or if you would like more information.

Sincerely,

A handwritten signature in black ink, reading "Carla J. Wilson". The signature is fluid and cursive, with the first name "Carla" being more prominent and the last name "Wilson" following in a similar style.

Carla J. Wilson
Director of Tax and Royalty

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